

NAVY FAMILY SERVICE CENTERS IN HAMPTON ROADS, VIRGINIA

Command Financial Specialist CHRONICLE

WINTER 1999

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TIME
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XO ☐ _____

CMC ☐ _____

CFS ☐ _____

Home Equity Used to Pay Off Plastic

A recent study conducted by Britain Associates, an Atlanta-based market research firm, documented the shift underway by Americans to convert their consumer debt—especially credit card debt—into home mortgage debt.

During the past 24 months, 4.2 million American households have converted \$26 billion of credit card debt into home equity mortgage debt. Why is this trend so strong? Part of the answer may lie in the aggressive TV advertising of such loans. Another reason may be that home equity debt for borrowers with good credit ratings is frequently cheaper than credit card debt.



There is, however, a disturbing side to this trend. Roughly two out of three surveyed homeowners who took out a debt consolidation loan to pay off credit cards were back in debt by the end of the study. By continuing to add debt, homeowners put themselves at risk. With just a moderate change in circumstances, these overstretched families could be in trouble—delinquent first on their credit cards, and then on their equity loans. Problems with the latter, of course, could cost them their home.

So tell your service members: If you use your house to pay off your cards, then stay off your cards. That way you'll be more likely to stay in your house.

Source: Kenneth R. Harvey, *Washington Post* Writers Group

HOT TOPICS

Top Nine Ways to Prepare for Retirement

Financial Bestsellers

Credit and Charge Card Fraud Fast Facts

Terms to Know When Shopping for a Credit Card

Future Value of \$100 Deposited Monthly

Holiday Spending Tips

CFS Schedule for Hampton Roads

1999	Norfolk	Little Creek	Oceana	Yorktown
JAN				
FEB <input type="checkbox"/>	1-5	8-12	8-12	
MAR <input type="checkbox"/>	22-26		15-19	15-19
APR <input type="checkbox"/>		26-30	19-23	
MAY <input type="checkbox"/>	17-21		17-21	
JUN <input type="checkbox"/>		14-18	21-25	14-18
JUL <input type="checkbox"/>	12-16		19-23	
AUG <input type="checkbox"/>		16-20	16-20	
SEP <input type="checkbox"/>	13-17		20-24	20-24
OCT <input type="checkbox"/>		18-22	18-22	
NOV <input type="checkbox"/>	1-5		15-19	15-19
DEC <input type="checkbox"/>		6-10		

Debt Collectors Pursue Taxes Owed

The U.S. General Accounting Office (GAO) estimates that the Internal Revenue Service is owed \$110 billion past-due taxes. Of this, \$60 billion is considered collectible. In a 1994 study by the GAO, the use of third-party collection services by state governments boosted collection rates by as much as 45 percent. With the recent enactment of the Debt Collection Improvement Act of 1996, the use of private collectors in government collections is growing and is expected to increase federal recovery.

Source: www.collector.com/

TOOLBOX

Financial Bestsellers

Here are some current and classic financial bestsellers. They would make great additions to your command's financial library or your own personal bookshelf!

The Millionaire Next Door

by Thomas J. Stanley
and William Danko

The Motley Fool Investment Workbook

by David and Tom Gardner

A Random Walk Down Wall Street

by Burton Malkiel

Surviving Debt

by The National Consumer
Law Center

The Truth About Money

by Ric Edelman

Nine Steps to Financial Freedom

by Suze Orman

The Wealthy Barber

by David Chilton

Making the Most of Your Money

by Jane Bryant Quinn

Money Troubles

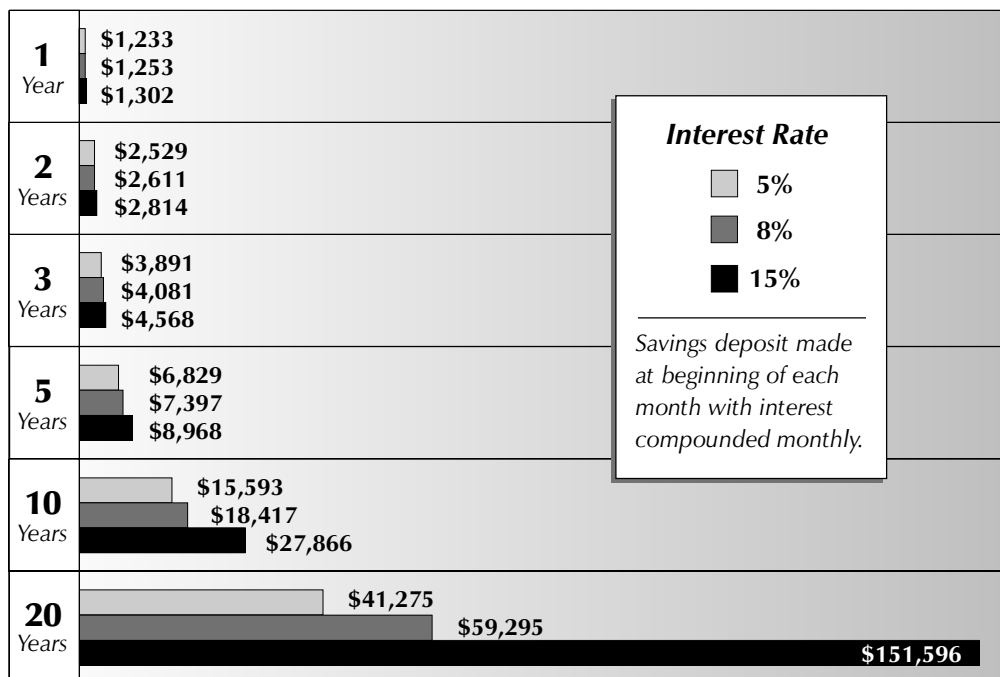
by Robin Leonard

Check out your local library and enjoy the read for free.

A Reminder:

There are rumors in the fleet that Virginia has a three-day cooling-off period for consumer purchases. Remind your service members that there is NO cooling-off period in Virginia, as a general rule. Publish a POD note or schedule a Buyer Beware GMT for your command to help stamp out this rumor.

Future Value of \$100 Deposited Monthly



Source: Eastern Michigan University, National Institute for Consumer Education

Credit and Charge Card Fraud **Fast Facts**

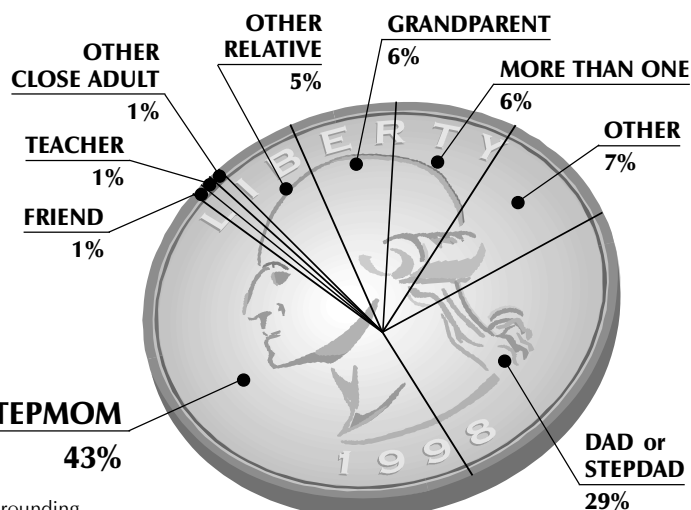
- Sign your new cards as soon as they arrive.
- Avoid signing a blank receipt whenever possible. Draw a line through blank spaces above the total when you sign credit card receipts.
- Save your card receipts to compare with your billing statements.
- Open billing statements promptly and reconcile your card accounts each month, just as would your checking account.
- Report any questionable charges to the card issuer promptly and in writing.
- Never lend your card(s) to anyone.
- Never give your number over the phone unless you are initiating a transaction with a company you know is reputable.

Source: Bureau of Consumer Protection,
Office of Consumer and Business Education, 202-326-3650

Mom's the Money Teacher

The person high school teens say has taught them most about managing money

MOM or STEPMOM
43%



Does not equal 100% due to rounding

Source: Harris Poll for Girls Incorporated

Top Nine Ways to Prepare for Retirement

1 Know your retirement needs.

Retirement is expensive. Experts estimate that you'll need about 70% of your pre-retirement income—lower earners will need 90% or more—to maintain your standard of living when you stop working.

◆ *Understand your financial future.*

2 Find out about your Social Security benefits.

Social Security pays the average retiree about 40% of pre-retirement earnings.

◆ *Call the Social Security Administration at 1-800-772-1213 for a free Personal Earnings and Benefits Estimate Statement (PEBES).*

3 Calculate what your military retirement benefit will be.

Consider whether or not it will be reduced by an SBP premium or shared with a divorced spouse. Explore whether a second career will have a pension plan and estimate the benefit amount. Find out if you will be entitled to benefits from your spouse's plan.

◆ *Check in with your local Transition Assistance Program Specialist.*

4 Contribute to a tax-sheltered savings plan.

If your spouse's employer offers a tax-sheltered savings plan, such as a 401(K), sign up and contribute all you can. Your taxes will be lower, the company may kick in more, and automatic deductions make it easy.

◆ *Over time, deferral of taxes and compounding of interest make a big difference in the amount of money you will accumulate.*

5 Put your money into an Individual Retirement Account.

You can put \$2,000 a year into an Individual Retirement Account (IRA) and delay or avoid paying taxes on investment earnings until retirement

age. Weigh the benefits of traditional and Roth IRAs and decide which one is best for you. If you expect to be in a lower tax bracket after retirement, consider a traditional IRA. If you prefer to pay your taxes now and withdraw your money tax free later, consider a Roth.

◆ *For information on IRAs, contact your CFS, Financial Educator, or attend a Savings and Investments seminar.*

6 Lower your debt.

If you are nearing retirement, lower your debt-to-income ratio to ease your financial obligations. Look for ways to have more money to apply toward debt and formulate a plan.

◆ *Create a power payment plan to organize the amortization of your debts.*

7 Start now, set goals, and stick to them.

The sooner you start saving, the more time your money has to grow. Devise a plan, stick to it, and set goals for yourself.

◆ *Start saving now, whatever your age.*

8 Consider basic investment principles.

How you save can be as important as how much you save. Inflation and the type of investments you make play important roles in how much you'll have saved at retirement. Know how your pension or savings plan is invested.

◆ *Financial security and knowledge go hand in hand.*

9 Ask questions.

Talk to your CFS, your bank, your credit union, or a financial advisor.

◆ *Be sure the answers make sense to you. Get practical advice and act now.*

Source: AFSA Education Foundation

FOR YOUR INFORMATION

TERMS TO KNOW When Shopping for a Credit Card

Annual Fee: Participation fee for use of card. Some credit cards have no annual fees.

Annual Percentage Rate (APR): The finance charge of your loan expressed as an annual rate. (Calculated using the amount of money you are borrowing, the finance charge, and the loan term.)

Credit Insurance: Can be health, life, accident, or involuntary unemployment coverage designed to pay the monthly payment or the outstanding balance of debt.

Finance Charge: The total dollar amount you pay to use credit (includes interest costs, fees, and credit insurance).

FINANCE CHARGE CALCULATION METHODS

- **Average Daily Balance:** Calculated by averaging the amount of debt you had in your account each day covered by the billing statement.
- **Previous Balance Method:** Calculated on the outstanding balance at the end of the previous billing period.
- **Adjusted Balance Method:** Calculated by subtracting the payment(s) made by you from the outstanding balance at the end of the previous billing period.

Grace period: The period between the time a bill is sent out and time the interest is charged on the balance.

Transaction Fees: Charges for other types of services, including:

- (1) A fee for a cash advance;
- (2) A late penalty fee when you make your payment after the due date;
- (3) A fee for going over your credit limit.

Holiday Spending Tips

Save in advance

It sounds simple—and it is—you must discipline yourself to save a few dollars from each paycheck during the year. If you aren't disciplined enough to save regularly on your own, consider joining an interest-paying holiday savings club at your bank or credit union.

Consider shopping by catalog

Many find that catalog shopping helps them stick to a budget since they're not seduced by the million choices available in stores. However, shipping charges will need to be included in your budget. An added advantage to shopping from home is avoiding crowds.

Draw names

If your list of family and friends is long, suggest this approach to gift giving.



Allow time for planning and comparison shopping

Keep your budget in mind and shop carefully to get the best selection and price.

Moonlight

Taking a part-time job for a couple of months or working overtime is a great way to earn extra spending money in time for the holidays. Even better, work a little extra here and there throughout the year, saving most, if not all, for holiday expenses.

Take advantage of seasonal bargains

Many stores begin their year-end sales during the holiday season. Be alert for bargains, especially if bad weather causes sales to be slow.

Budget for purchases

Contact your CFS or NFSC for a holiday budget chart to keep track of who's on your shopping list, how much you've budgeted, gift ideas, and estimated expenses.

Borrow wisely

Credit cards and loans are frequently used to make up for a lack of holiday cash.

Both allow you to repay the amount owed over a period of time, although you pay for this advantage in finance charges. Remember to budget for the credit card and/or loan payments you'll have to make.

Taking control of your holiday spending helps you avoid seasonal stress and allows you to enjoy this time of year with family and friends.

Source: AFSA Education Foundation

Navy Family Service Centers in Hampton Roads, Virginia

NFSC Little Creek
1450 D Street
Norfolk, VA 23521-2444
462-7563

NFSC Norfolk
7928 14th Street, Suite 102
Norfolk, VA 23505-1219
444-2102

NFSC Northwest
1320 Northwest Blvd., Suite 100
Chesapeake, VA 23322-4094
421-8770

NFSC Oceana
5th Street & E Avenue
Virginia Beach, VA 23460-5120
433-2912

NFSC Dam Neck
FCTCL Dam Neck
488 Sparrow Street, Suite 126-127
Virginia Beach, VA 23461
433-7150

NFSC Yorktown/Newport News
PO Drawer 160
Yorktown, VA 23691-0160
887-4606/688-NAVY

DEPARTMENT OF THE NAVY

Navy Family Service Centers
of Hampton Roads, Virginia

Official Business

RETURN SERVICE REQUESTED